

OSDBU UPDATE

VA OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION /AUGUST 2003



NOTES FROM SCOTT

Wow, where has the summer gone? Labor Day is already upon us and everyone is busily preparing to closeout FY 2003 and start FY 2004.

This fiscal year has brought many issues affecting small business to the forefront; chief among them is the issue of contract bundling. Contract bundling is now center stage, and no doubt will be for sometime. OSDBU has addressed this issue at each of the OA&MM Acquisition Forums and Acquisition Leadership Training Forums we attended this fiscal year. We continue to work with OA&MM's Acquisition Policy Staff on implementation of the contract bundling reviews that are required by the October 2002 OMB Report entitled, "Contract Bundling, A Strategy for Increasing Federal Contracting Opportunities for Small Businesses." If you have not read this important 14-page report, I strongly encourage you to do so, as implementation of the 9-Point Action Plan contained in the report will affect the way VA handles bundled acquisitions. The report is available on line at the following address www.acqnet.gov/Notes/contractbundlingreport.pdf.

This report stems from the President's small business agenda. The principal thrust of the report is to ensure that contract bundling, when used, is "necessary and justified" and to mitigate the effects of contract bundling on small business. Contrary to what many may think, there will be cases where contract

bundling is both necessary and justified. Sounds easy enough, right? Our goal is to make this as easy as possible, but the devil is always in the details. We are committed to working with VA's acquisition and logistics communities to ensure we mitigate the effects of contract bundling on small businesses, consistent with our mission and operations. I want to thank Dave Derr for his recent article in the OA&MM Newsletter, "Contract Unbundling – Evolution not Revolution". Dave captured the essence of this issue.

On January 31, 2003, the Civilian Agency Acquisition Council and the Small Business Administration published notices in the *Federal Register* to amend the FAR and SBA regulations to implement the action items in the report. The period for public comment has closed and we await the final rules to be published and become effective. Even though the final rules have not been published, VA, along with other departments and agencies, are reporting their efforts to OMB in implementing this initiative, as required by the OMB report. The Deputy Secretary signs these reports.

In addition to the OMB reporting requirement, GAO is monitoring VA's implementation of the 9-Point Action Plan. We have had two entrance interviews with the GAO auditors due to a change in audit teams, and have responded to follow-up requests for additional information from the new team.

I am confident that VA will rise to the occasion as we implement these changes in VA to mitigate the effects of contract bundling on small business. Within VA's acquisition and logistics communities, we have some of the most talented and capable professionals in Government, who bring a great deal to VA in terms of dedication, commitment and creativity in advancing small business programs.

As you are aware, VA continues to struggle in meeting our Service-Disabled Veteran-Owned and Veteran-Owned Small Business goals. As of July 31, 2003, with total acquisition expenditures of over \$4.3 billion reported, VA has spent only \$23.4 million with Service-Disabled Veteran-Owned Small Businesses (0.54%) and \$133.1 million with Veteran-Owned Small Business (3.09%), against a statutory goal of 3% and the Secretary's goal of 7%, respectively. I ask that each of you re-dedicate yourselves to finding ways to improve our accomplishments in these two important areas. As the chief advocate for veterans at the Federal level, VA must be the leader and set an example for the rest of Government, putting our money where our programs are.

Speaking of Service-Disabled Veteran-Owned and Veteran-Owned small businesses, by now all facilities should have received a copy of the Secretary's "Veteran-Owned and Service-Disabled Veteran-Owned Task Force Report," dated March 2003. I recommend that each of you get your hands on and read this important report. The report contains 5 goals and 16 recommendations approved by the Secretary. Secretary Principi states in the report's preamble, "Please think first of veteran-owned and service-disabled veteran-owned small businesses in every contracting decision you make." If every VA acquisition professional and program official incorporates this thinking into planning and executing VA acquisitions, VA will become the Government leader in these two socioeconomic categories. The report may be accessed at:
www.vetbiz.gov/library/report.pdf.

We are receiving numerous requests for FPDS-NG training. As some of you may be aware, responsibility for the FPDS Program will be transferred from OSDDBU to OA&MM in the near future. OA&MM is currently developing a transition plan and until such time as a number of issues are finalized regarding the implementation of FPDS-NG, effective October 1, 2003, we are going to hold off conducting on-site training sessions for FPDS-NG. We are committed to working with OA&MM to ensure an orderly transition, and recognize that migrating to a new system at the time of an organizational program

transfer may present some unique challenges. I am optimistic that guidance will be forthcoming in the near future which will discuss the FPDS-NG reporting process by VA contracting activities.

And finally, I want to congratulate the FY 2002 Secretary's Socioeconomic Achievement Awards Program recipients announced recently. We will be devoting a special issue of the Update in the near future to the awards. One thing I continue to notice is that the competition is keener every year. Although everyone cannot win the award, one thing is clear, small businesses and VA are the real winners. And for that, I am very grateful. Best wishes for a successful end-of-year closeout. Thanks for your continued support of small business and veteran entrepreneurial programs!



Scott Denniston
Director

SUBCONTRACTING PLANS FOR NON-PROFITS

By Wayne A. Simpson, Deputy Director for Small Business Programs

What Does SBA Say?

In requesting subcontracting plans, many contracting officers tell us that affiliates and not-for-profit organizations advise they are exempt from subcontracting provisions, and therefore, are not providing required subcontracting plans when requested.

Mr. Bob Taylor, Office of Government Contracting, U.S. Small Business Administration (SBA) Central Office, Washington, DC, has clarified SBA's policy on this issue for us. Mr. Taylor advises that subcontracting requirements apply to large businesses; state and local governments; *non-profit organizations*; public utilities; *educational institutions*, including, with certain exceptions, Historically Black Colleges and Universities (HBCUs). In other words, affiliates and non-profit organizations must provide subcontracting plans, when required.

In April 1999, SBA published SBA Policy Letter 99-X to the Heads of Executive Departments and Establishments as a proposed rule in the

Federal Register. The rule was never finalized, but SBA plans on submitting this to the Civilian Agency Acquisition Council in order to incorporate this language into the FAR.

SBA believes their interpretation is consistent with the spirit of the law, which did not specifically exempt non-profits from subcontracting requirements. SBA holds that if Congress had intended for non-profits to be exempted from these requirements, the statute would have contained specific language for the exemption. We are in full agreement with SBA.

If you have questions about subcontracting requirements, or need OSDDBU's assistance with subcontracting issues, please contact Ms. Lynette Simmons, or Mr. Mark Taylor, telephone 202.565.8136 or 202.565.8128, respectively. They will be happy to help you.



THE CASCADING PROCUREMENT STRATEGY

By Deborah A. VanDover, Senior Procurement Analyst

Maybe you've heard the term "cascading procurement strategy," and maybe you have even used this strategy in a solicitation or two. Chances are good that you have not heard of it, nor used it, previously. The Department of Housing and Urban Development (HUD) first successfully used the cascading procurement strategy in 1999. The Small Business Administration (SBA) recommended this order of precedence approach to HUD as an alternative to a completely unrestricted procurement.

Recognizing VA's commitment to the small and small disadvantaged business (SDB) community, we support the cascading procurement strategy as one method to ensure small and small disadvantaged business concerns are given every opportunity to participate in large and/or consolidated procurements.

The wording successfully used by HUD, as recommended by SBA, is as follows:

"In accordance with Federal Acquisition Regulation (FAR) Subpart 19.8, any award for _____, resulting from this solicitation, will be

made on a competitive basis to eligible 8(a) business concerns, provided that a minimum of two (2) competitive (technical and cost) offers are received from eligible Section 8(a) concerns.

"If a minimum of two (2) offers from eligible Section 8(a) concerns are not received, the award for the services/supplies specified within the solicitation will be made to a small business in accordance with FAR Subpart 19.5, provided that a minimum of two competitive (technical and cost) offers are received from qualified small business concerns.

"If a minimum of two (2) offers from qualified small business concerns are not received for the services/supplies specified within the solicitation, the award will be made on the basis of full and open competition from among all responsible businesses submitting offers."

The cascading procurement strategy was successfully upheld in Comptroller General decisions B-281352 and B-281353. If you have questions concerning this strategy, please contact Deborah Van Dover, Senior Procurement Analyst, at (202) 565-7795.

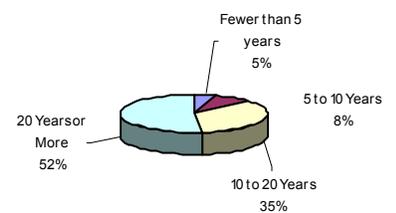


GAO REPORT ON FEDERAL PROCUREMENT AND WORKFORCE TRENDS

By Ilene Waggoner, Senior Procurement Analyst

In April of this year, the General Accounting Office (GAO) issued Report No. GAO-03-443 on "Spending and Workforce Trends" in the Federal Government. The goal of the report was to identify for Congress, the administration, and accountable organizations, those procurement-related trends and challenges that may affect Federal agencies

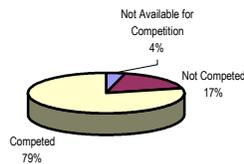
The Federal government is comprised of more than 60 agencies and acquires most of its goods and services through contracts. The



GAO reports that Federal agencies procured more than \$235 billion in goods and services during Fiscal Year 2001. Because of the increase in spending for homeland security and defense, it is anticipated that all agency spending will continue to increase for the foreseeable future. GAO reviewed 10 agencies, that combined represent over 90 percent of all Federal acquisition spending, VA being included in that group of 10.

The report states that VA's discretionary resources rose by about 20 percent for Fiscal Years 1997 through 2001 and totaled \$26.5 billion in fiscal year 2001. In Fiscal Year 2001, 22 percent of the VA's \$5.9 billion discretionary funds were contract obligations. The majority of the dollars, 91 percent or \$3.9 billion, were obligated for firm fixed-price contracts over \$25,000. In fiscal year 2001, VA spent \$1.4 billion, not including Prime Vendor purchases, using the government purchase card. VA spent \$3.4 billion or 79 percent of its total contracting dollars on competed contracts, typically receiving two or more offers on 90 percent of those contracts.

Source FPDS



The report noted that over the last decade, the Federal acquisition workforce has had to adapt to changes in staffing levels, workloads, and the need for new job skills. Acquisition reforms have required acquisition professionals to have a greater knowledge of market conditions, industry trends, and technical details of the commodities and services they procure. In Fiscal Year 2001, 52 percent of the acquisition workforce had 20 or more years of Federal service, while 5 percent had fewer than 5 years of Federal service.

Source CPDF

... concluded that many of the changes have enhanced the acquisition process, however, if these changes are not

accompanied by proper training, guidance, and internal controls, agency procurements may be at risk. All agencies provided comments and concurred with the GAO analysis. For a copy of the report visit the GAO website at <http://www.gao.gov/>.



PARTNERING AGREEMENT (PA) BETWEEN VA AND SBA

By Lynette Simmons, Procurement Analyst

On June 30, 2003, the SBA and VA Partnership Agreement covering direct 8(a) awards expired. SBA advised VA to continue to operate under the authority of the original agreement. SBA's General Counsel concurred with this guidance.

SBA is experiencing an "administrative delay" and apologizes for the delay in issuing new and ensuing agreements. The Office of Small and Disadvantaged Business Utilization (OSDBU) wishes to take this opportunity to thank VA contracting activities that have complied with the requirements of the agreement. As a primer, listed below are some of the FAQ's regarding the 8(a) PA.

VA/SBA Partnership Agreement – Frequently Asked Questions

- Q. Why was the PA established?**
- A.** The PA was established to simplify 8(a) contract awards by VA contracting officers. Contracting Officers no longer have to wait 15 days for an eligibility determination from SBA. Awards can be made within 5 days.
- Q. Are there any consequences under the PA for VA?**
- A.** Yes. If contracts have not been offered to and accepted by the SBA into the 8(a) Business Development Program, VA cannot use this for negotiating the Agency's 8(a) goal. SBA has the option to suspend or rescind the authority of the PA if VA

fails to submit copies of the award documents to the SBA within 15 days of award.

Q. When and where are offering letters submitted?

A. An offering letter is submitted:

- For sole source requirements to the SBA's district office responsible for servicing the selected 8(a), along with a copy to the VA's OSDDBU;
- An open offering letter for sole source requirements to the SBA district office that services the geographical area where the contracting activity is located when an 8(a) has not been identified, along with a copy to VA OSDDBU.
- For competitive 8(a) procurements to the SBA district office that services the geographic area where the contracting activity is located, with a copy to VA OSDDBU; and
- For competitive 8(a) construction to the SBA district office located in the geographic area where the work will be performed, with a copy to VA OSDDBU.

Q. Is an offering letter needed for requirements under the Simplified Acquisition Threshold?

A. No.

Q. Will SBA issue subcontract numbers? How is the contracting officer to number/identify 8(a) awards?

A. SBA will not issue subcontract numbers. 8(a) awards on VA contract documents are identified by adding the suffix "8(a)" to the end of your local contracting number. Example: V000P-00008(a)

Q. What does the contracting officer send to SBA?

A. The SBA serving district office shall receive a copy of all 8(a) contracts, as defined in FAR 2.101, including basic contracts, orders, modifications, and purchase orders.

Q. How long after a contract is awarded does the contracting officer have to send the required documents to SBA?

A. SBA must receive a copy of *all* contract documents within 15 calendar days of the date of award. This is a very **important requirement**. Should VA fail to comply with this requirement, SBA may unilaterally terminate the PA.

Q. What does the VA OSDDBU need from the contracting officer?

A. OSDDBU receives *only the signature page of the contract* within 15 days of the date of award. Since this information is entered into the database and eventually included on our website, OSDDBU needs the contractor's name, contract number, dollar value and description of the requirement.

Q. Should this information be reported in the Federal Procurement Data System?

A. Yes, once you have awarded a contract, it is the contracting officer's responsibility to ensure that the information is reported correctly into the Federal Procurement Data System.

Everyone's continued cooperation in fulfilling VA's obligations under the PA is greatly appreciated. We are also interested in hearing comments from VA's acquisition professionals on their actual experiences using the PA.



SUBCONTRACTING AND CONTRACT BUNDLING

By Mark J. Taylor, Program Specialist

In accordance with the Office of Management and Budget's Report entitled, "CONTRACT BUNDLING - A Strategy for Increasing Federal Contracting Opportunities for Small Business," dated October 29, 2002,

"...Agency OSDBUs are expected to significantly increase reviews of proposed acquisitions for contract bundling as well as monitor contractor compliance with subcontracting plans...."

"In acquisitions where contract bundling is determined to be necessary and justified, actions will be taken to mitigate the effects of bundling by increasing subcontracting opportunities for small business..."

To be in concert with the President's Small Business Agenda and OMB, VA OSDBU will take a proactive role in monitoring compliance and offering suggestions to prime contractors to improve their subcontracting goals and accomplishments.

A baseline will be established utilizing historical data, to track how well prime vendors meet, or identify issues that limit prime vendors in meeting goals. The plan of action will yield data to Primes that will show deficiencies in subcontracting practices. It will show whether this is an industry specific problem or if it is a common issue among Primes. The results of the plan of action will make the CO aware of how important their reviews and approvals are to adequately meet statutory and Departmental goals in subcontracting to small business concerns. In addition, the results of this plan of action will draw attention to Primes and COs about deficiencies and will improve accountability.

Other examples of proactive planning are:

- OSDBU will review the SF 295s each year and discuss the accomplishments with the contracting officer(s) submitted concurrently with the new commercial plan.
- Verifying the SF 294/295 prior to submittal to OSDBU is the responsibility of the Contracting Officer.

- Require poorly performing VA prime contractors to receive small business program training from VA.
- Develop an award for the primes who excel in meeting or exceeding their subcontracting goals and their participation with the small businesses.

Electronic commerce initiatives are under way whereby in Fiscal Year 2004 it is hoped that subcontracting data will be electronically input by primes using a web-based Government-wide system



FPDS-NG

By Deborah A. VanDover, Senior Procurement Analyst

On May 1, 2003, Global Computer Enterprises Inc., won a \$24 million contract from the General Services Administration for development, implementation and operation of the Next-Generation Federal Procurement Data System. Federal procurement systems rely on batch interfaces to provide data to the FPDS. The new system, FPDS-NG, will integrate with every Government procurement system in real time. This electronic interoperability will allow contracting agencies to reduce or eliminate some of the manual processes required to collect and summarize information about millions of smaller procurements, saving time and money.

Global Computer Enterprises is a small business that specializes in large-scale systems integration using Oracle, Java, Web services and XML technologies. Under the contract, the company is responsible for creating and maintaining all aspects of the FPDS-NG, including application hosting, reporting functionality that incorporates the latest data mining technologies, training for users and administrators, help-desk operations, integration with agency procurement systems, creating Web services and establishing an XML specification for procurement data.

All Federal Government agencies are required to begin using FPDS-NG October 1, 2003. As of now, there are no changes in how each user will report their data into FPDS; however, there will be changes made in the

future. Within a one-year time frame, all batch processing will be eliminated, which is the method by which VA data is transferred to the Federal Procurement Data Center (FPDC). Additionally, the Summary Report of Contract Actions, or SoCar, will be eliminated at the end of the one year period, making it necessary for a separate entry to be processed for all transactions not just those over \$25,000. As you can imagine, there is much to consider as this transition moves forward and we are working with the Office of Acquisition and Material Management (OA&MM) to provide information and assistance as it is obtained. If you have any questions, please feel free to call Deborah VanDover at (202) 565-7795.



UPCOMING CONFERENCES

September 9-10, 2003
17th Annual Entrepreneurial Women's
Conference

Chicago, Illinois

For More Information
(303) 344-1186



September 10, 2003
NIBA 11th Annual Conference

Crystal City, Virginia

For More Information
(202) 547-0580



September 14-17, 2003
NRC's 22nd Annual Congress & Exposition

Baltimore, Maryland

For More Information
(202) 347-0450 Ext. 22



September 18, 2003
NASA Goddard Annual Small & Disadvantaged
Business Conference

Greenbelt, Maryland

For More Information
(301) 286-0257



September 25, 2003
4th Annual Delaware Procurement Expo

Wilmington, Delaware

For More Information
(302) 571-5230



September 26, 2003
Congressional Black Caucus
Minority Business Fair

Washington, DC

For More Information
(202) 225-8699



September 28-October 1, 2003
National MED Week 2003 Conference

Washington, DC

For More Information
1-877-633-9335



September 30-October 4, 2003
SDBDC Annual Conference

San Diego, California

For More Information
(703) 764-9850



October 8-10, 2003
8th National Booker T. Washington
Economic Development Summit

Tuskegee, Alabama

For More Information
(202) 720-9838



October 14-15, 2003
2003 Diversity and Women
Leadership Summit

Washington, DC

For More Information
(202) 463-3796



October 21, 2003

45th Wing Business Opportunities Expo

Port Canaveral, Florida

For More Information
(321) 867-7349



October 22, 2003
Procurement Matchmaking Symposium

El Paso, Texas

For More Information
(915) 831-7748



October 23, 2003
Black Hills Procurement Fair

Rapid City, South Dakota

For More Information
(605) 745-2070



December 10, 2003
Minority & Women-Owned
3rd Annual Conference

San Antonio, Texas

For More Information
(210) 335-2478



Reminder

OSDBU can provide you with handout information such as brochures. Please contact Ilene Waggoner at 202 565 8127 or Ilene.waggoner@mail.va.gov if you would like items sent to you.

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